

Meeting Date: 10/23/07



AGENDA REPORT

City of Santa Clara, California

Agenda Item #

5B



DATE: October 17, 2007

TO: City Manager/Executive Director for Council/Redevelopment Agency Action

FROM: Assistant City Manager

SUBJECT: "Committee of the Whole" Discussion of the Structure and Functions of a Possible Stadium Authority as Outlined in the April 24, 2007 San Francisco 49ers Stadium Financing Proposal

EXECUTIVE SUMMARY:

Overview

As part of their stadium financing proposal presented at the April 24th Council/Agency meeting, the San Francisco 49ers outlined a concept for the creation of a Stadium Authority as follows:

- The City would create a Stadium Authority
- The Stadium authority would own and operate the stadium
- The 49ers would lease the stadium from the Authority for NFL games
- The Stadium Authority would schedule all other non-NFL events

Staff has taken the Stadium Authority (Authority) concept under review as part of the Feasibility Study process. It is important to note that there has been no Council commitment or action to date to create such an Authority, rather the Stadium Authority structure needs to be considered with all the elements of the stadium project, under the umbrella of the Feasibility Study.

Proposed Stadium Authority Structure

The legal basis for the creation of a public Authority resides in Government Code Sections 6500 et seq. These code sections permit several government entities to join together to form a new entity called a "Joint Powers" Authority or Agency. The members of the Stadium Authority would be the City of Santa Clara and the City of Santa Clara Redevelopment Agency. The seven elected members of the City Council, who also serve as members of the Redevelopment Agency Board, would serve as governing board members to the Authority. The Mayor would serve as chair of the Authority, with the City Manager as the Executive Director and the City Attorney as the Authority's General Counsel.

The primary governing documents of the Authority will be the Joint Powers Agreement between the City of Santa Clara and the Santa Clara Redevelopment Agency. The Joint Powers Agreement establishes the Stadium Authority and sets basic ground rules for its operation. The Authority will also enact Bylaws that will govern some aspects of Authority governance. The Authority will be formally created by action of the City Council and the Santa Clara Redevelopment Agency in approving the Joint Powers Agreement. Pertaining to the overall timeline for the construction of the proposed stadium, approval of the Joint Powers Agreement must precede the approval of the EIR for the stadium project and any final definitive agreements with the 49ers for the development and construction of the stadium. The Stadium Authority can be structured so that the City of Santa Clara and the Redevelopment Agency will not have any legal responsibility for the contractual obligations or the tort liabilities of the Authority. Subject to the limitations of the Joint Powers Agreement, the Authority will have all the powers that the City has.

Proposed Stadium Authority Functions

The day-to-day staffing parameters for the Authority will depend in part on the scope and extent of the functions that the Authority undertakes. Some basic staffing models are:

- Operate the stadium with City staff serving as staff of the Authority under the typical City departmental management structure, with the City reimbursed by the Authority for staff expenses.
- The Stadium Authority would employ its own staff with the Executive Director (City Manager) as the hiring authority.
- The Authority would employ a private stadium management company well experienced in the complex operations and leasing of such a substantial facility, including the unique operating characteristics resident in an open-air stadium.
- A combination of the above staffing structures could also be used. As an example, certain management activities could be carried out by City employees while other operations and maintenance issues might be carried out by a private company under contract with the Authority.

It is staff's preferred option, through the initial study to date, that the Authority hire an experience stadium management company to be responsible for all aspects of stadium operations and maintenance.

In reviewing the breadth of Stadium Authority functions, staff has taken into consideration the 49ers concept of the operation of a Stadium Authority, however it may prove with further analysis that some functions should not reside with the Authority, but possibly be the responsibility of the 49ers or a related entity. It is also important to note that the fact that the Authority undertakes a particular function does not necessarily mean the Authority must bear the financial risk of carrying out the particular function. Examples of Authority functions are:

- Authority will lease the land for the stadium from the City pursuant to a long-term ground lease.
- Ownership of the stadium (Authority or possible City ownership of the stadium remains under study).
- Authority will contract with design and engineering professionals to design the stadium.
- Authority will contract with a construction contractor to construct the stadium.
- The construction of the stadium will be undertaken using funds that the Authority will obtain from the issuance of bonds and cash from stadium revenue sources:

\$330 million Stadium Authority financing sources:

Ticket Tax	Concessionaries Equity
Naming Rights	Pouring Rights
Stadium Builders Licenses	Corporate Founding Partners

\$330 million of Stadium Authority financing is estimated as follows:

\$185 million in Authority bonding

\$145 million cash from certain of the financing sources

- The Authority will lease the stadium to the 49ers, under a long-term contract, for use for all 49er home games.
- The Authority may lease the stadium for other events in addition to 49er home games.
- The Authority will be responsible for day-to-day stadium operations and the surrounding areas for football games and other stadium events, including maintenance, security, traffic control and parking.
- The Authority would enter into agreements with the owners of nearby parking lots (primarily office building complexes) in the vicinity of the stadium and make use of and operate those parking areas on stadium event days.
- The Authority will be responsible for obtaining insurance against hazards such as fires, floods or earthquakes and also insure against tort claims such as injuries to event attendees.

ADVANTAGES AND DISADVANTAGES OF ISSUE:

Providing the Council and community the opportunity to review the basic structure and functions of a Stadium Authority concept assists in the understanding of the major governance and operation issues inherent in owning and operating a large, complex project such as the proposed 49ers stadium.

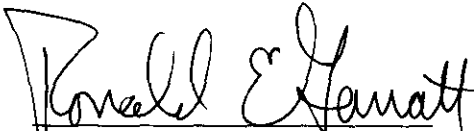
ECONOMIC/FISCAL IMPACT:

It is critical that, if the stadium project proceeds to completion, there be an experienced, competent operator able to maximize the publically-owned stadium's return on invested funds.

RECOMMENDATION:

It is recommended that the Council/Redevelopment Agency accept the Committee of the Whole presentation of the structure and functions of a Stadium Authority for a proposed San Francisco 49ers stadium in the City of Santa Clara and direct the City Manager to include this analysis in the accumulated body of materials and information being used in the Stadium Feasibility Study.

APPROVED:



Ronald E. Garratt
Assistant City Manager



Jennifer Sparacino
City Manager/Executive Director
Redevelopment Agency

Documents Related to this Report:

none